

Testimony of Mr. Mike Carey
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Before the
House Committee on Oversight and Government Reform,
Subcommittee on Regulatory Affairs, Stimulus Oversight and Government Spending
Hearing Entitled: "*Lights Out: How EPA Regulations Threaten Affordable Power*
***and Job Creation*"**
July 26, 2011

Chairman Jordan, Ranking Member Kucinich, Members of the Committee, good afternoon.

Thank you for inviting me to testify today at this very important hearing regarding the effects of the planned rules and regulations being put forth by the U.S. Environmental Protection Agency (EPA). The effects these proposals will have on electricity prices, employers, and domestic workers will be devastating. My name is Mike Carey, and I am President of the Ohio Coal Association. I also have the pleasure of serving on the National Coal Council, which is an advisory committee to the Secretary of Energy on energy resource issues.

The Ohio Coal Association ("OCA") provides a voice for the many thousands of citizens working in Ohio's coal sector. We continually seek to educate state and federal lawmakers on the effects that their policies have in keeping Ohio and the rest of our Country competitive with foreign nations in the areas of low cost energy resources, reliable electric power production, and global manufacturing competitiveness. Cheap, affordable coal is what powers the manufacturing base and maintains our families across the Midwest and in other regions of America.

The companies we represent, both large and small, are proud to directly employ over 3,000 individuals in Ohio alone, as well as an additional 30,000 secondary jobs that depend on this sector. These jobs and hundreds of thousands more are at risk directly because of decisions underway at EPA. In particular, it is my hope that the Committee will undertake a serious review of the work being conducted by EPA as it relates to the following proposals:

- The Cross-State Air Pollution Rule, formerly known as the Clean Air Transport Rule;
- The Air Toxics Standards for Utilities, or Utility MACT;
- New Source Performance Standards changes;

- New Ozone and Particulate Matter Standards;
- Regulation of Coal Combustion Residuals; and,
- The Power Plant Cooling Water Intake Structures Rule.

Members of this body have probably heard this grouping of proposals called the EPA Train Wreck. The regulatory wave embodied in the new mandates and rules above stands to cause great harm not only to the state of Ohio, but the entire U.S. economy. Today, coal is mined in our country in 27 states and is consumed to produce affordable electricity in 48 states. EPA's rules are designed to force this product overseas to our competitors while our residents and businesses get stuck with massive price increases as we seek to replace this abundant energy resource.

Recognizing my time is limited today, I'm going to focus on what the Ohio Coal Association sees as the two most harmful EPA proposals to our region and our jobs. First, the Cross-State Air Pollution Rule. This formal, 1,300 page proposal was released by EPA just three weeks ago. We are finally able to see what the direct impacts will be of this rule, and it's devastating to Ohio.

The underlying assumption of this proposal, Mr. Chairman, is that our customers, electric utilities like American Electric Power that is here today, will simply move to a lower sulfur-content type of coal. That assumes companies won't just abandon coal altogether and fuel-switch to natural gas, causing price spikes for manufacturers and other who use natural gas in their industrial processes. To be clear, this Rule is a direct hit on Ohio because the coal that the thousands of men and women we represent mine every day has a higher sulfur content than other forms of coal. The Administration proposes to sacrifice these 33,000 primary and secondary jobs we create and support - it's as simple as that.

Another one of our coal's unique qualities is that it has a higher heat content, which means it gives off relatively less CO₂ when it's burned. I certainly find it ironic that EPA is trying to create a playing field where power providers are given an incentive NOT to use a fuel that has lower CO₂ emissions per unit.

EPA's complex rule creates a system of allowances and trading that is much less flexible than the current regulatory framework. Winners and losers are thus clearly chosen, and Ohio loses. Our state will lose up to 33% of our allocations; all while power providers are expected to reduce certain emissions targets by 46%, starting in six short months. The only option for those producing electricity is to shut down their plants.

The second most harmful proposal, in our view, is the Utility MACT rule. This will become final in the next few months, and will combine with the Transport Rule to further hurt similar regions of our country. When these proposals are both finalized, the national and regional impacts are devastating; Ohio alone will see 53,000 jobs lost and electricity price spikes sure to

hurt middle and lower income Americans. They already pay anywhere from 16-22% on their after-tax income just on energy costs annually.

Simply put, Appalachia is ground zero for the Obama Administration's efforts to put a regulatory stranglehold on local job creators. We have new rules that are changing the playing field to the detriment of economic development, and the mandates are all part of campaign promises the Administration made during the last election.

The future of Midwestern jobs and access to affordable energy depends on demanding EPA examine the cumulative impacts of their regulatory proposals. Oversight for how these flawed proposals are costly, unworkable, and harmful to the U.S. economy should continue. In the interim, Congress must seek to enact policies that address the flaws in the EPA proposals I outlined earlier, and in particular the Cross State Air Pollution Rule and the Utility MACT rule.

These serious issues affect the members of the Ohio Coal Association as well as the other domestic businesses producing critical energy resources across the country. EPA's war on coal will also be directly harmful to homeowners across the country, as parts of the Train Wreck will see electricity price increases of 13% in Ohio, 23% in Tennessee, and 17% in Pennsylvania. These are just a few of the states represented by Members on this Committee.

I understand that this week the House will take up a spending measure that will reduce EPA's funding by 18%. My concern is that EPA will simply find a way to shuffle around funds and such a cut will not stop their plans to march forward with the Train Wreck. It is the belief of the Ohio Coal Association that Congress must be bolder. Delaying these rules immediately is critical, and the House must then act to write legislation that makes these rules more reasonable. Without clear direction from Congress in this fashion, EPA will continue its torrid pace of piling on new job-crushing policies.

The current Administration is using EPA and other agencies to stop the use of affordable energy at every turn. Their actions are leaving investment dollars on the sidelines due to uncertainty. They have ground the permit process to a halt. New regulations on power plants are making it costly and impractical to burn coal to provide electricity. It's all-out effort to stop the ability to access coal, and where they can't do that with a straight face, they will look to eliminate all of our customers. Apparently EPA believes they can control the laws of both supply and demand, all to the detriment of our economy.

Thank you for this opportunity to testify, Mr. Chairman, and stand ready to answer any questions the committee may have about this blatant attack on coal jobs, power providers, and businesses small and large throughout the Midwestern United States.